

FISCAL NOTE

Bill #: HB0076

Title: Establish rainy day fund

Primary Sponsor: Buzzas, R

Status: As Amended in House Appropriations

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill would create a budget stabilization special revenue account. Beginning in FY 2008, 1% of unrestricted revenue collections in the previous fiscal year would be deposited in the budget stabilization account. At the end of each biennium, the excess of the previous two years' general fund revenue over the most recent HJR 2 revenue estimate adjusted for legislation would be transferred to the budget stabilization account.
2. The first transfer to the budget stabilization account will be at the end of the 2009 biennium under Section 2(2). (See technical note #1)
3. In FY 2006 and FY 2007, 25% of the U.S. Mineral Royalty general fund revenue is restricted. This is \$8.665 million in FY 2006 and \$8.834 million in FY 2007.
4. In FY 2006, the unrestricted general fund revenue estimate is \$1,420.278 million (\$1,429.143 - \$8.665).
5. In FY 2007, the unrestricted general fund revenue estimate is \$1,460.339 million (\$1,469.173 - \$8.834).
6. In FY 2006 and FY 2007 the actual general fund collections will equal HJR2 general fund adjusted revenue estimates.

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(continued)

LONG-RANGE IMPACTS:

Revenue does exceed the HJR 2 estimates in many biennia. Thus funds will be deposited in the rainy day account at some point.

TECHNICAL NOTES:

1. Section 2 requires two transfers of the same revenue if the general fund revenue estimate exceeds the HJR 2 adjusted revenue estimates. Subsection (1) says that each year 1% of the actual unrestricted revenue collections received in the completed fiscal years are to be set aside in the budget stabilization account and subsection (2) requires at the end of the biennium that all revenue in excess of the HJR 2 adjusted revenue estimates for the biennium be transferred to the budget stabilization account. So 1% of the revenue collections in excess of HJR 2 adjusted will be duplicated in the transfer.
2. Subsection 2(1) directs the transfer of “1% of actual revenue collections” to the budget stabilization account. The bill does not indicate what fund or funds the transfer is to be made from or what funds are to be considered in calculating the amount to be transferred. This fiscal note assumes that the intent is to transfer 1% of general fund revenue collections to the budget stabilization account. However, this section could be read as referring to collections for all funds rather than just the general fund.
3. The language in Section 2(2) is unclear as to which years the “previous 2 fiscal years’ revenue in excess of the most recent general fund revenue estimating resolutions for that biennium ” applies. Is it the two years in the biennium being completed or the last year of the previous biennium and the first year of the current biennium? If this transfer is to be done at the end of the biennium, then the last year of the current biennium is not a previous year yet.
4. Section 2(2) directs funds to be transferred “at the end of the biennium.” The timing of these transfers needs to be clarified. It is not clear whether these transfers are to be made as part of the close-out of the previous fiscal year or as part of the new fiscal year. The basis for calculating the amounts to transfer also depends on the timing of the transfers. For example, the transfer at the end of the 2009 biennium could only be recorded in FY 2009 if it were the last transaction made before SABHRS is closed for FY 2009 in late July 2009. If the transfer is made in July, it must be based on unaudited revenue for the year. If the audited financial statement for the completed fiscal year is to be the basis for the transfer, the transfer cannot take place until some time in the fall. This fiscal note assumes that the transfers are made as the last transaction recorded in SABHRS each fiscal year.
5. The same question as in item 2 above also applies later in Section 2(2) when the determining which years to use for the “previous 2 fiscal years” average general fund revenue.
6. There is no definition in the bill of unrestricted revenue collections.